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FRANK C. HANIGHEN, *Editor* *Contributing Editors:* FRANK CHODOROV, WILLIS J. BALLINGER

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Internal Struggle: Washington is not merely the "ringside" seat, it also serves as the cockpit of the world struggle between the Soviet Union and the U.S.A. Few here in the Capital can deny it. They note that metropolitan papers which, two weeks ago, proposed to send their "trained seals" off to Formosa for "on-the-spot" reporting, changed their plans and have kept their writers home.

As this column remarked on February 5, the major struggle "is the conflict for control of foreign policy between Ike's advisers," between the "liberals" and "pro-Americans," right here in Washington. The latter include Admiral Radford, Assistant Secretary (for the Far East) Robertson, Senators Knowland, Jenner, McCarthy and others. The liberal forces are difficult to identify but their words are leaked out of other offices in the Government to give the "appeasement" flavor to much of what is heard on the air or read in "liberal" newspapers.

Certain positive developments in the past week have taken the spotlight, as follows:

(1) The sharp attack on the UN by Governor J. Bracken Lee at the meeting of the pro-American wing of the GOP in Chicago on Lincoln's birthday (which overshadowed the "regular" Republican banquet two floors away in the same hotel.) Lee's warning that the GOP pro-Americans, if they did not succeed in capturing the party, might revolt and launch a third ticket in 1956, is known to have worried top GOP officials more than the latter admit. Such a splinter could deduct sufficient votes from the Republican candidate so that the Democrats might roll into power again. Naturally, Administration's "liberal friends," who would like nothing better than return of the New Deal Democrats to power, affect to deprecate the threat of Governor Lee.

(2) Senator Knowland two days later strongly struck at the UN (like Lee and McCarthy in Chicago) and suggested that it did not hold the key to peace, indeed might well go down the same drain as did the League of Nations. Dulles — as dopesters see it — took alarm and gave out an optimistic statement on UN, a few hours later.

(3) A sensational speech by Senator Jenner given in Dallas the same day drew attentive consideration around the Capitol. The Indiana Republican Senator reminded his hearers that the struggle for China and Korea was "lost in Washington." He saw a "tug of war" between two forces — the "pro-Americans" and "the other, a network whose members deliberately disregard our Constitution, our President and our Congress." He emphasized that "this collectivist machine operates, in part, in the State Department, in part, in the White House Secretariat, in the super-Cabinet agencies of national defense, in the Foreign Operations Administration, in the CIA. But a substantial part of it operates outside government . . . in the press, in the parties, in the colleges, in the labor unions, in business, in the United Nations. . . . They operate, as one, from some control tower we cannot see."

Meanwhile, as the 1800 delegates who came to the Chicago meeting from various parts of the country dispersed, reports indicated that their mood was similar to that of Jenner who wound up his peroration with an appeal to "organize political action to support pro-Americans in our government and public life," stressing that then "the world conflict will soon be over — we can win true peace for all the world, if we will defeat the enemy within."

Formosa: The "brief" on our foreign policy broadcast by "Lawyer" John Foster Dulles on February 16, did not apparently clear up the question as to whether the U.S. will defend Quemoy and

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Matsu. What's the answer? Canvassing all good opinion and sources, old-timers here believe the real truth is in what Constantine Brown, Foreign Editor of the Washington *Star*, wrote on February 16. The veteran diplomatic correspondent said: "This reporter can state positively, from unimpeachable sources, that Chiang has received formal assurances the 7th Fleet and air forces in the West Pacific will join the Chinese Nationalists in defense of Quemoy and Matsu if those islands are attacked by the Communists." This Administration decision was "prompted, according to informed sources, by the knowledge in high quarters that the UN was ready to pass the buck on the Formosa Strait controversy."

Atomic Energy Radiation: The warning issued by Chairman Lewis Strauss, of the Atomic Energy Commission this week is by no means exaggerated, according to well-informed technicians in the nation's capital. The official release gave a sober and accurate picture of the radiation conditions resulting from a nuclear explosion and the hazards to human life. However, David S. Teeple, recently Assistant to the Chairman of the AEC (now in business as a consultant on atomic energy problems, Barr Building, Farragut Square, Washington, D. C.), says that proper instruction in detection of radiation can enable civil populations to cope with the danger.

Federal Aid To Education: The President's proposal to provide federal aid to a national school building program was worked out in the office of Mrs. Oveta Culp Hobby, Secretary of Health, Education and Welfare, with the aid of prominent government bond houses of New York which would presumably profit. The program would depend largely on the sale of state and local bond issues. These municipal and state bond salesmen, together with law firms which are in the business of certifying to the legality of such issues, had a hand in preparing the plans of the proposal, according to well-informed sources.

Not Merely Gossip: The role of Russian Minister of Defense General Zhukov as potential peace-maker has drawn much scoffing from veterans in the foreign correspondent field. Typical are the comments of the Scripps-Howard foreign expert Ludwell Denny who wired from Paris to say, "Watch out for the Zhukov myth," which he terms a "fake." Denny points out that Hitler's generals, less bellicose than the Fuehrer, failed to restrain their leader from starting the war. Meanwhile, old diplomats recall that the royal families of Russia, Germany and England (the two latter were related) had been counted on to keep the peace before 1914 and they remember the peaceful ("Willy-Nicky") talks between Kaiser Wilhelm and Czar Nicholas before that conflict. But these "potential forces for peace" were not successful.

● Communist prevarications convulsed Washington in the past few days. The Red radio from Communist puppet Poland broadcasted that Senator Wayne Morse's diatribes against Eisenhower's stand on Formosa were "so persuasive" and "popular" that Eisenhower was forced to allow their publication in "his own journal," the "Congressional Record."

● At a luncheon for the new Italian Ambassador, a "liberal" commentator started giving forth on the "moral handicap" which the U.S. suffered by having Chiang Kai-shek as an ally, calling the Generalissimo a "fascist." The Ambassador from Rome made the following rejoinder: "I ought to know something about fascism, since Mussolini kept me in prison for years as a resistance fighter. I know that in Europe many people have unfortunately adopted terminology put out by Moscow propagandists — indiscriminate use of the term 'fascist' is an example. I don't think Chiang is a 'fascist.' Indeed many democratic countries in Western Europe have failed to do the fine job he has done in Formosa in reforming the farm situation."

Labor Front: One compelling reason (apart from the political motive) why labor forces agreed on a merger is coming out. Experts in this field are emphasizing one aspect of the recent AFL-CIO merger. Under the Wagner Labor Relations Act, union membership grew at an astonishing rate. The basic

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reason was that under this Act the labor bosses were able literally to gang up on employers and force them to unionize their factories through the powerful weapon of the "secondary boycott." Businesses which had not been unionized became, in effect, "sitting ducks" in a labor shooting gallery.

The Taft-Hartley law put an end to secondary boycotts and the power of the labor bosses to dictate and force union growth. The result was that increases in members slowed down so drastically that the union heads became thoroughly alarmed.

Official government figures show that although there were (as reported by the unions themselves) more union members in 1954 than in 1946, the *ratio* of union members to total industrial workers in 1946 and 1952 is roughly the same (approximately 38 percent.) In short, unionism has been barely holding its own since 1946, taking into account the increase in the number of workers for all industry.

The reason, say observers, why union membership has stagnated is that workers have come to fear labor bosses more than employers. They are fully aware that the objective of union officials is to reduce workers to their complete control, first through the union shop and then the closed shop. In union labor, fear of bossism has become so widespread that workers move energetically to circumvent it whenever the slightest chance shows up. Thus in 1950, Senator Taft carried *every industrial county* in Ohio, although the labor bosses made the Taft-Hartley law the big issue in the campaign. Again in 1952, despite the fact that the important labor bosses were for Stevenson (who urged repeal of Taft-Hartley and endorsed the union shop), many organized workers obviously went for Eisenhower.

Therefore, say observers, one of the biggest motives for merging the AFL and CIO was the alarm of the labor bosses over the precarious state of union growth. Through such a combination, the labor bosses can better concentrate their economic and political resources on the task of diluting the Taft-Hartley law and restoring to themselves the power to expand unions again on a coercive basis.

Supreme Court Justice: The delay in confirmation of the appointment of Judge Harlan to the High Court has inspired talk about an alternate selection, in case the Senate turns down Harlan (see HUMAN EVENTS last week for facts on Harlan's connection with Atlantic Union.) Lawyers in Washington are mentioning the name of Judge Harold M. Stephens, Chief Justice of the U.S. Court of Appeals for the District of Columbia. Stephens has been on the bench since 1935, and is known as a strict constitutionalist. Politicos recall the fact that he is a Catholic and that there is no one of that faith on the Supreme Court at present; a consideration that Presidents have taken into account on a number of occasions in the past.

Under The Capitol Dome: Representative Lawrence Smith has dropped into the hopper of the lower house H.J. Res. 172, a slightly different version of the Bricker Amendment reintroduced in the Senate. Smith's resolution lays more stress on "supremacy" of the Constitution over treaties. If Bricker's battle gets under way, Smith's resolution will undoubtedly help the fight for protection of American sovereignty in the House.

Federal Jobs: The Hoover Commission on Reorganization of the Executive Arm of the Government broke a lance this week in the developing struggle to oust New Deal "hold-overs" from the Eisenhower Administration. As is becoming increasingly clear, a lot of "liberal" propaganda has been disseminated about protecting "civil service" employees from a "political spoils system." Actually, the Democratic Administration blanketed into civil service a mass of Democratic New Deal appointees whose role since 1952 has been to impede conservative trends in the Eisenhower policies. The White House has made various gestures towards solving this problem by expanding the number of Federal top-level jobs open to political appointment. Now, the Hoover Commission recommends the creation of a category of higher Federal jobs to be filled by political appointments. Such "non-career executives" would have policy-making powers and presumably could make policy decisions in harmony with the ideas and intentions of

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the party in control of the Administration. As the *Wall Street Journal* comments, "This is only common sense in our form of government."

This developing trend of thinking, as seen in this Hoover Commission move, has been under way for some time. Recently, James C. Worthy, retiring Assistant Secretary of Commerce, came out rather bluntly in describing the problem and a cure. This Sears, Roebuck executive (who now returns to his company after two years in government service) felt so strongly on the matter that he told a civil service gathering that jobs for the party faithful was a "very real and legitimate need" of the American political party system. He said most of the jobs which he indicated should be taken out of civil service, should be distributed "close to the grass roots."

Trade: Surprisingly strong opposition to the President's reciprocal trade bill (to run three years) has developed in a Democratic-controlled Congress which originally had expected to steamroller all opposition easily. More opposition groups appeared against the measure than groups in favor of the measure. Big business is for it, but that only adds fuel to the fire of opposition. No longer is the issue regarded as "free trade vs. protection." Some opponents feel that big interests with branches abroad have manifest reason to support "reciprocal trade," so as to undercut domestic sellers. Tariffs, by this time, are regarded as minor factors impeding free trade, as compared with the multitude of controls — monetary, bilateral economic pacts, etc. — imposed by countries abroad which clog the channels of international trade. Hence, observers see significance in the fact that about 150 organizations of business, labor and consumers have appeared in the hearings room against the Administration project, as compared with about one-third that number in favor of it.

"Trade, Not Aid": The recent Senate confirmation hearings on the five Export-Import Bank board members showed how cowed even top rank civil servants can become when it is a question of their jobs; and the lengths to which American exporters — through their spokesmen in the Congress — are willing to go to get Government credit subsidy. Senator Homer Capehart (R., Ind.) seized the opportunity orally to whip the Eximbank for not putting out money faster in the financing of exports. In his tongue-lashing, Capehart — he himself admitted — was very impatient and "a bit belligerent."

The Hoosier charged the bank with discouraging loan applicants, with not using the extra $500,000,000 authorized by the Congress under his leadership in 1954. Congress, he said, authorized that money "to get away from giving money away and start loaning it." And all that the bank's head, General Edgerton replied was: "That is right." The General did not think to point out that Eximbank is active mostly in countries not on the list of U.S. aid recipients. It remained for Democratic Senator Robertson of Virginia to point out to Capehart: "This is not a giveaway program . . . What about the security and likelihood of repayment? I do not object to an agency being in the black instead of in the red unless it means they have turned down loans that should have been made."

Behind the Senatorial pressure on the Eximbank to "make more loans instead of less" is the fact that with the recovery of industrial Europe, thanks mightily to U.S. economic aid (i.e., U.S. exports), productivity teams, etc., American exporters now are meeting some real competition abroad. Their seller's market was comfy while it lasted. U.S. taxpayer money was used to reconstruct Europe and enable it to earn its way in the world, if not with the aid of lower U.S. tariffs here, then in third markets. Facing European competition in those markets, U.S. exporters now want the U.S. taxpayer to step in again, this time with Eximbank dollars, and put their German, French, British and other competitiors "back where they belong." Our exporters still want trade through aid.

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MONEY MUST GO SOMEWHERE

By FRANK CHODOROV

THE BIG QUESTION of the day, the one that looms larger in more minds than even the Administration's enigmatic foreign policy, is this:

Is the stock market in for "another 1929?"

The steady rise of the values of common stock during the last eighteen months is reminiscent of the boom that preceded the famous crash which heralded the Great Depression. That depression found a solution in World War II. Hence, those who remember are quite apprehensive, not only because of the real or paper losses they might suffer in the event of a stock market bust, but more so because of a possible recurrence of the post-1929 economic and political pattern.

The economists are digging hard for an answer in the oracular wisdom of comparative figures, charts and opinion polls. As usual, they are making predictions of the "if" kind, which will prove them right no matter which way the market goes. The one factor that might explain the current rise in values is conspicuously absent from their computations. But, more of that later.

To be sure, the politicos are in on the act, for it would hardly do for them to ignore a situation of such explosive possibilities. The Federal Reserve Board, assuming that the boom is of the speculative variety, raised the margin requirement from fifty to sixty percent, on the theory that the more money the buyer has to put down the less he can speculate. But, something went wrong with the theory. The market did not respond as expected, except for a few days, and then it resumed its upward course. It seems that marginal buying is not much of a factor these days; most people are buying shares outright, for cash.

Enter Senator J. William Fulbright with a call for an investigation. Even before any witnesses are called, one can foretell the character of the report the Arkansas Senator will present and the kind of preventive legislation he will suggest. The premise of the investigation will be that speculation is the main cause of the rise in the market. Hence, the speculators must be curbed, possibly by the threat of punitive measures; laws must be passed making the buying of stock on credit more difficult, if not impossible. Again, the one factor that might explain the current rise will be assiduously avoided; the Senator probably would not even think of it.

THE QUESTION IS — is this a speculative market? To some extent it is. The yearning for a quick dollar is with all of us all the time, and there is no doubt that many a housewife, after the market evidenced a tendency to rise, began emptying her piggy bank to buy ten shares of XYZ with the hope of selling on a quick rise.

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But, it takes a lot of such purchases to make a turnover of two to four million shares a day, and there is considerable doubt that the nation's housewives are the cause of such activity. In the big boom of the 1920's, when what you could save on your lunch money was enough to put you in the market, the "penny ante" buyer was a factor of some importance. That is obviously not so today. Brokers, to be sure, are trying to entice the small saver, by way of radio, newspaper and pamphlet advertising, and have even introduced installment buying as a means of getting the "public" into the market. This is some indication that "public" buying is not yet as stock-conscious as it was in the 1920's.

It is a well-known fact that the little gambler crowds the broker's offices only after the market has been on the rise for a long time, and that then he puts his money in the lower-priced stocks, those that have not yet made spectacular gains; he figures — assuming that there is any rationality to gambling — that the "blue chips," which are out of his reach anyway, do not have the same appreciation possibilities as the "two dollar" shares. The brokers point out that activity in the lower-priced stocks began only recently, that the "blue chips" predominated in the spectacular climb that began in the fall of 1953. And this, they maintain, is evidence enough that the "public" has not been a factor in this boom.

Therefore, if this is a speculative market, it must be that the big operators have been bitten with the get-rich-quick bug. No doubt some of them were; they too are human. But, the rules of the game have been changed since the 1920's, and in such a way as to make the big gambler do some tall thinking before he plunges. In the first place, the capital gains tax is discouraging to the quick turnover impulse which characterizes speculation. The need of holding the stock for six months before one can net an appreciable amount of the gain compels the speculator to take a long-term view and become an investor. In a half year from now, will there be enough in it "for me?" And, maybe the market will take a downward turn in the meantime.

If the so-called speculator is in the higher income tax brackets — which must be assumed if he can afford to buy a block of "blue chip" shares — there is the further consideration that the net income for spending purposes would hardly be worth the risk involved. He is rich enough now, and a quick haul from which he can keep very little is hardly an inducement. He cannot afford to be an in-and-outer, as he was in the 1920's.

THERE IS REASON, then, to believe that speculation has played a minor role in the current market rise, and to accept the opinion prevalent in Wall Street that this is essentially an investment market. That is to say, most buyers of common stocks are interested mainly in their yield, not their appreciation. Their preference of securities of companies that have been consistent earners over the years and seem likely to continue earning — the "blue chips" — supports this conclusion.

There must be a lot of these buyers, and with substantial funds, to have bid the prices to their present heights. Who are they? There is no definite answer because it is

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common practice for institutions, and even private investors, to hide their identity behind banks and other purchasing agents. But, it is widely held on the Street that a good part of the growing pension funds is coming into the market, and that the investment trusts have played no little part in the rise.

These investment trusts are an interesting phenomenon in the present market. There were some in existence in the 1920's, but the general public was not participating. Since the end of the war they have been proliferating. Their assets and their clientele are reputed to be enormous; even brokerage houses have gone into the business. These investment trusts are just what their name implies; most of them are not speculating trusts. The buyer of their shares buys an interest in the earnings of a selected group of stocks, and since the success of a trust depends on its record of paying dividends, the management of most of these keep their portfolios clear of securities that are speculative in character. Hence, to the extent that these trusts have influenced the rise, it cannot be ascribed to speculation.

But, if so many people are investing, why are they anxious to profit by participating stocks, rather than fixed income securities? Any housewife who has been shopping for the past ten years can furnish the answer to that question. If the price of cigarettes has doubled, why should not the price of a share in the cigarette company go up likewise? Without the slightest notion of how inflation works, the thought that it might continue suggests to the buyer of gasoline that stock in an oil company is worth having, for future contingencies. That is speculation of a kind; it is a hedge against inflation.

Why are they buying for cash? Because they have it. And here we come to the question which politicians who have advocated "social legislation" and supported the consequent deficit financing of the government, can hardly ask.

TO WHAT EXTENT DOES this market reflect the dumping into the economy of billions of purchasing power created by the inflationary practices of the government?

It won't hurt to bring in some fundamentals at this point. When the government spends more than it collects in taxes — deficit financing — it pays for the excess with bonds, treasury notes or other forms of promissory notes. A government I.O.U. becomes collateral which can be monetized. The principal form of monetization is what is called checkbook money, for by the process of rediscount, the bank can eventually loan nearly $6 for every $1 of government collateral deposited with it. Thus, the issuance of government I.O.U.'s is far more inflationary than the printing of dollars.

Deficit financing became standard government practice in the New Deal and has continued almost uninterruptedly every year since it began. The sum total is represented by the national debt which has reached the colossal and meaningless figure of $273 billion. To what extent this has become monetized it would be difficult to ascertain. But, why bother with statistics? There is proof enough in the price tags that many more dollars are competing for goods than there were before the deficit financing parade

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began. What did you pay for a loaf of bread in 1932 and what is the price now?

The higher prices of goods caused by inflation theoretically should absorb the extra dollars thrown into the market. But, there is a time lag between income and increased cost of living, and some people are so constituted that saving a dollar is a psychological imperative. Besides, when increased prices drive trade away, the American manufacturer seeks ways and means of cutting costs and keeping prices within reach of the consumer. So, by one way or another, many Americans have been able to put aside a depreciated dollar or two against the uncertain future; witness the huge increase in insurance purchasing.

Far more important money than savings by individual Americans is coming into the market, according to Wall Street talk. This is the huge tax-free accumulation in union-industry pension funds. There is no way of proving this, but it is a known fact that unions have acquired blocks of stocks on their own account, also with tax-free funds; there is no law that would stop them from investing some of their pension money in the market. It is not likely that speculative considerations enter into such purchases.

And now comes the final question: Will the market continue to rise, stay put in the long run, or take a sudden nose dive, as it did in 1929? Anyone who would venture a positive answer to this question would indeed be foolhardy. Where psychology plays so big a part as it does in the action of the stock market, predictions as to its future behavior call for more than human wisdom. Besides psychology, the government plays a most important role in determining the ups and downs of the market.

The government may make purchase of stocks slightly more difficult by eliminating margin buying altogether. That would hardly affect the volume of trade. But, a big boost in taxes on corporation profits, or higher taxes on dividends, or a tax on transactions, or any general increase in taxes would discourage investment and cause stock prices to drop. Seizure of plants, not an impossibility in the event of a national emergency, would certainly change the character of the market completely.

Apart from national emergencies, the government is not likely to do anything to bring on a crash. After all, there is an election coming up in 1956, and the Administration has begun whistling the old tune, "happy days are here again." Even if it wags a warning finger at the nefarious gamblers, it will do everything to prevent that symbol of national prosperity — Wall Street — from collapsing. Monstrous make-work programs are always in the offing, and deficit financing is still with us.

An old time gambler on the Street, to whom this reporter put the question — is this a speculative market? — answered: "Hell no. This is a flight from the dollar."

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